

Briefs

Field Crops

U.S. Soybean Acreage Increasing Again for 1998

U.S. farmers have planted 72.7 million acres of soybeans in 1998, a 3-percent increase over last year, according to USDA's *Acreage* report released June 30. This would be the sixth consecutive year of higher soybean acreage. Farmers are expected to harvest a record 71.7 million acres of soybeans.

The March 31 USDA *Prospective Plantings* report indicated farmers' crop intentions for spring plantings in 1998, while estimates of planted and harvested acreage in the *Acreage* report were based on surveys conducted during the first two weeks of June. Compared with the *Prospective Plantings* report, planted area is 1 percent higher for soybeans and 2 percent lower for total wheat (durum is down 9 percent and "other" spring wheat is off 7 percent). Corn planted area is essentially unchanged.

Harvested acreages and actual yields will be strongly influenced by weather conditions as crops grow. If they persist, extreme dry conditions will reduce crop potential across much of the South. But overall, normal weather will result in large output and lower season-average farm prices for most U.S. field crops in 1998/99 compared with a year earlier (*AO* June/July 1998).

Estimated *soybean* acreage generally rose above last year's levels in the Corn Belt States while declining in most of the Southeast and Mid-Atlantic States. In addition, soybean acreage increased to expected record levels in Kansas, Minnesota, North Dakota, and Wisconsin. The dry weather during April in the Corn Belt allowed farmers to finish seeding corn ahead of normal and bumped up soybean plantings. While excessive rainfall hampered planting in the eastern Corn Belt during May, planting had caught up by month's end. Farmers in the Southeast and Mid-Atlantic continue to face dry conditions.

Corn plantings also increased in 1998 to an estimated 80.8 million acres, up 1 percent from last year and unchanged from the *Prospective Plantings* report. This is the highest planted corn acreage since 1985. Corn acres harvested for grain increased to an estimated 74.3 million acres, also up 1 percent from 1997. Total acreage for the Corn Belt States declined slightly for 1998, largely replaced by higher soybean plantings (*AO* May 1998). Outside the Corn Belt, acreage increased sharply in Louisiana, Texas, and South Dakota due to higher expected returns relative to other crops. Despite a cool spring that delayed plant development, the recent warmer weather has boosted corn growth

throughout the Corn Belt. USDA reported that 68 percent of the corn crop was in good or excellent condition as of July 12.

Sorghum plantings dropped again in 1998 to an estimated 8.9 million acres, down 12 percent from 1997, as acreage declined in most of the major producing States. The largest drop occurred in Texas, as low feed grain prices and dry soil conditions reduced potential plantings. Area also declined in Kansas—the largest sorghum-producing State—for the second consecutive year.

Barley plantings declined in 1998 to an estimated 6.45 million acres, which would be the lowest on record. The largest declines were in North Dakota and Minnesota as farmers shift from traditional crops (i.e., barley and wheat), which have been beset by low prices and disease problems, to alternatives such as

U.S. Field Crops—Market Outlook

	Area		Yield	Output	Total supply	Domestic use	Exports	Ending stocks	Farm price	
	Planted	Harvested								
	—Mil. acres—	Bu/acre	—Mil. bu—						\$/bu	
Wheat										
1997/98	71.0	63.6	39.7	2,527	3,063	1,300	1,040	723	3.40	
1998/99	65.8	59.2	42.6	2,522	3,336	1,418	1,050	868	2.70-3.10	
Corn										
1997/98	80.2	73.7	127.0	9,366	10,259	7,350	1,475	1,434	2.45	
1998/99	80.8	74.3	129.6	9,625	11,069	7,625	1,600	1,844	1.95-2.35	
Sorghum										
1997/98	10.1	9.4	69.5	653	701	455	205	41	2.20	
1998/99	8.9	8.1	64.7	525	566	320	195	51	1.80-2.20	
Barley										
1997/98	6.9	6.4	58.3	374	522	327	75	120	2.35	
1998/99	6.4	6.1	61.9	376	531	382	25	124	1.85-2.25	
Oats										
1997/98	5.2	2.9	60.5	176	348	272	2	74	1.60	
1998/99	5.0	2.9	62.4	183	357	270	2	85	1.05-1.45	
Soybeans										
1997/98	70.9	69.9	39.0	2,727	2,863	1,768	880	215	6.45	
1998/99	72.7	71.7	39.5	2,830	3,050	1,740	875	435	4.85-5.85	
Rice										
			Lbs./acre		—Mil. cwt (rough equiv.)—					\$/cwt
1997/98	3.06	3.03	5,896	178.9	215.9	106.9	84	25.0	9.65	
1998/99	3.22	3.19	5,930	189.0	224.0	108.9	85	30.1	8.50-9.50	
Cotton										
			Lbs./acre		—Mil. bales—					c/lb.
1997/98	13.8	13.3	680	18.8	22.8	11.4	7.4	4.0	64.8	
1998/99	12.9	11.2	645	15.0	19.0	11.0	5.0	3.0	*	

Based on July 10, 1998 *World Agricultural Supply and Demand Estimates*. USDA is prohibited from publishing cotton price projections.

Economic Research Service, USDA

soybeans, flaxseed, sunflowers, canola, and dry beans. Because of very warm and dry spring conditions, most of the 1998 barley crop was seeded ahead of normal.

A sharp increase in 1998/99 carryin stocks of feed grains, stemming from weakening use in 1997/98, is expected to push the supply to the highest level since 1994/95, when there was a record corn crop. In addition, sharp competition from other suppliers and economic problems in Asia will constrain a strong response in export markets. In turn, farm prices for corn are expected to be fairly weak in 1998/99. Most of the U.S. corn crop has entered the critical pollination phase.

All *wheat* planted acreage for 1998 is estimated at 65.8 million acres, down 7 percent from last year and the lowest planted area in 10 years. This decline is mainly because of drastically reduced spring wheat acreage, as unfavorable prices and several years of widespread disease problems encouraged Northern Plains producers to plant other crops such as soybeans and sunflowers.

For more on the wheat outlook see [Commodity Spotlight](#), page 7

Cotton plantings for 1998 are estimated to total 12.9 million acres, 6 percent below 1997 and 300,000 acres less than the March *Prospective Plantings* report. Adverse weather has affected cotton more than other major field crops in 1998. During the spring, farmers in the Southeast and Delta regions had planned

Acreage Up for Soybeans and for Corn

	1998 acreage			1997 acreage		
	Prospective	Planted	Harvested	Prospective	Planted	Harvested
<i>Million acres</i>						
Corn	80.8	80.8	74.3	81.4	80.2	73.7
Soybeans	72.0	72.7	71.7	68.8	70.9	69.9
Wheat	67.0	65.8	59.2	69.2	71.0	63.6
Sorghum	9.0	8.9	8.1	10.9	10.1	9.4
Barley	6.8	6.4	6.1	7.0	6.9	6.4
Oats	5.2	5.0	2.9	5.3	5.2	2.9
Rice	3.1	3.2	3.2	2.9	3.1	3.0
Cotton	13.2	12.9	NA	14.5	13.8	13.3

1998 harvested acreage forecast.

NA = Not available. The June *Acreage* report does not estimate cotton harvested acreage.

Economic Research Service, USDA

to shift from cotton to corn because of expected higher corn returns. The exception was Texas, where producers intended to increase cotton plantings from last year's low levels due to wet conditions. Dry soil and high temperatures in the Southern Plains and the Southeast hindered spring planting in many States.

Texas, the largest cotton-producing State, has been the most affected by a withering drought, with one-third of the crop in either very poor or poor condition at the end of June. At the other extreme, excessive rainfall and below-normal temperatures linked to El Niño delayed planting and crop development in California, where acreage declined 17 percent from 1997. Crop conditions at the end of June showed 80 percent of the California cotton either in very poor or poor condition. Prospects for a smaller U.S. crop led to a rise in cotton prices from May to June (unlike prices for corn, wheat, and soybeans, which declined).

Rice plantings for 1998 are estimated at 3.22 million acres, up 5 percent from 1997, with long-grain acreage up 10 percent. Acreage was up from 1997 across the South, particularly in Arkansas, Louisiana, and Missouri. The expansion was due to favorable prices relative to nearly all alternative crops, especially soybeans. Area in California declined the most as extremely wet field conditions hampered and delayed planting.

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Briefs

Field Crops

World Rice Trade Soars to Record

World rice trade in 1998 is projected to be a record 23.4 million tons (rough basis), up 24 percent from last year and more than 11 percent higher than the previous record in 1995. While this year's record is largely due to abnormal weather, world rice trade is likely to remain strong in the foreseeable future. Rice trade in 1999 is projected at 20.2 million tons, 14 percent below the 1998 record, but still the third highest on record. USDA's long-term baseline projects trade to rise to 24.6 million tons over the next decade, a much higher level than at any previous time. These projected trade gains reflect freer trade and continued population growth.

This year's robust trade is primarily driven by weather-related production problems, mostly caused by the 1997/98 El Niño, which have severely reduced crops in several major importing countries in South and Southeast Asia and across much of Latin America. Total Asian imports are projected at a record 10.9 million tons, up 6.1 million tons from 1997. Similarly, Latin America will import a record 2.8 million tons, up 452,000 tons from last year.

The record trade is occurring at a time when the Asian financial crisis has reduced incomes and credit availability in many Asian countries. Because the buying power of middle- and higher income consumers has declined in several countries, many in the region are shifting from higher cost meats, fruits, and vegetables to lower cost rice. In addition, rice consumption historically has not been very responsive to price changes, a result of its being critical to most Asian diets and the lack of viable substitutes for many consumers. Thus, any price increase associated with the explosion in trade would dampen use only slightly.

Two factors have prevented this extremely high import demand from driving up prices to record levels. First, the substantial devaluation of the Thai baht and other Asian currencies in the second half of 1997—which precipitated the economic

crisis—caused international rice prices to plunge last summer and fall. Second, the major Asian rice-exporting countries have large exportable supplies this year. Thailand, India, China, and Pakistan produced record crops in 1997/98, while the Vietnam crop was near-record. And U.S. supplies were the second highest on record. These six countries account for over 80 percent of world rice exports.

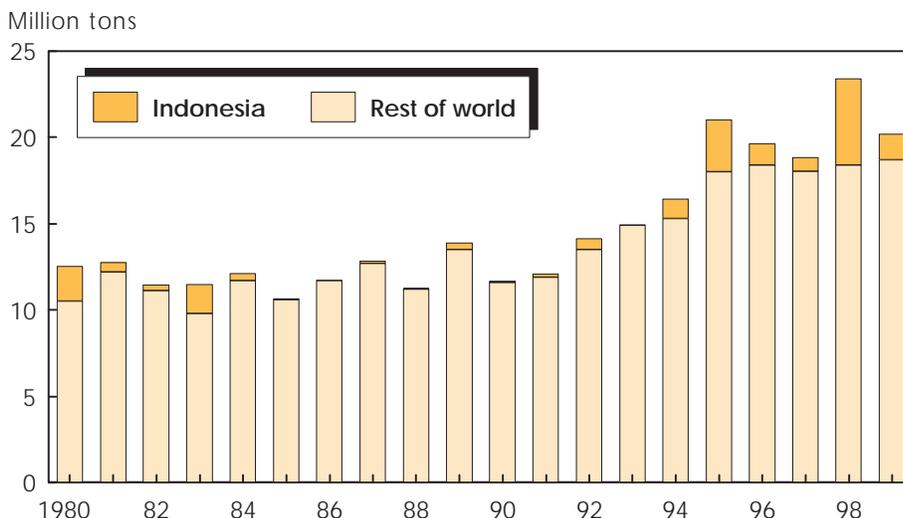
Although crops were smaller in several major rice-producing countries—Indonesia, Bangladesh, the Philippines, and Brazil—world rice production is projected at almost 568 million tons (rough basis) for 1997/98, the largest ever produced. The 1998/99 crop is projected at 575 million tons—another record—primarily a result of expected normal weather in Southeast Asia and Latin America. Prices rose only slightly in the first quarter of 1998, even though imports began to rise rapidly. But even with the currency devaluations, financial crisis, and initially large exportable supplies, trading prices have risen modestly since second-quarter 1998, as exportable supplies tightened—especially in Vietnam and Pakistan—and imports continued to rise.

The late arrival of the 1997 Asian Monsoon caused a 2- to 3-month delay in the planting of Indonesia's main crop, leading to reduced plantings and lower yields. The 1997/98 total crop is projected at 47.5 million tons, down 3.5 percent from 1996/97. Input shortages due to the Asian economic crisis hindered the crop as well. The 1996/97 crop was down 3.6 percent from the 1995/96 record crop.

These crop shortfalls are behind a 5-million ton import projection for Indonesia, more than six times higher than a year earlier and the largest amount of rice ever imported by a single country. Thailand and Vietnam will supply the bulk of Indonesia's imports, mostly low-quality rice. Japan, the U.S., Taiwan, and others will provide food aid to Indonesia. In total, Indonesia will likely receive at least 1.2 million tons of rice as food aid or soft loans in 1998.

For 1998/99, Indonesian rice production is projected to rise to 50.8 million tons, allowing 1999 imports to contract to 1.5 million tons—still a sizable amount. Over the long term, pressure from a rising population, the high cost of additional rice production, and lack of financial resources to invest in new rice land and improve infrastructure are expected to keep Indonesia a major importer in the world rice market.

Indonesian Imports Boost 1998 World Rice Trade to Record Level



1998 and 1999 projections.
Economic Research Service, USDA

El Niño caused severe drought in the major rice-growing areas of the Philippines as well, severely cutting its dry-season crop. The total 1997/98 crop is projected at 10.3 million tons, nearly 8 percent smaller than a year earlier. To prevent retail prices from rising and to forestall food shortages, the Philippines began purchasing rice in late 1997, mostly from Vietnam, China, and Thailand. Total rice imports in 1998 are projected at a record 1.75 million tons, more than double a year earlier. Imports are projected to drop to 900,000 tons in 1999, as production rises to 11 million tons. For the long term, the Philippines faces strong population growth, very limited resources to invest in new land and infrastructure, and very slow yield growth, necessitating large imports of rice.

Inadequate water, lack of fertilizer, and pest problems reduced Bangladesh's 1997/98 fall harvested crop to 27.3 million tons, more than 3 percent less than the previous year. Bangladesh is projected to import 1 million tons of rice in 1998, up from just 45,000 tons a year earlier. Most of these imports will be from neighboring India, limiting India's ability to export to Southeast Asia. A 4-percent increase in production to 28.5 million tons in 1998/99 will reduce Bangladesh's import needs next year to 350,000 tons. Bangladesh is projected to be only a modest importer of rice over the next decade.

Latin America also experienced rice crop losses from El Niño, although in some cases it was more often flooding than drought that led to lower yields and reduced area. Brazil's 1997/98 paddy crop is projected at 8.5 million tons, down more than 10 percent from a year earlier, primarily due to severe flooding in the Rio Grande do Sul, the country's largest rice-growing area. Brazil will import a record 1.2 million tons of rice in 1998, up from 850,000 tons a year earlier and the bulk of expanded total imports to Latin America in 1998. Because flooding also occurred in neighboring Argentina and Uruguay—which typically account for most of Brazil's imports—Brazil will likely import over 500,000 tons from outside the region, with the U.S. likely to be the largest supplier.

While normal weather is expected to allow Brazil's production to increase 15 percent to 9.8 million tons in 1998/99, imports will remain sizable at 1 million tons in 1999. Brazil has been unable to increase production to keep pace with consumption growth. The largest crop on record—11.8 million tons—was produced in 1987/88, and area has since dropped substantially. Brazil is projected to remain a major importer for the next decade, although it is unlikely the U.S. will maintain much of Brazil's market given lower transportation costs and the tariff advantages held by Argentina and Uruguay as members of MERCOSUR.

El Niño-related crop difficulties also have led to increased imports by Ecuador, Panama, Honduras, and the Dominican Republic in 1998. Ecuador typically exports small quantities of rice within South America, and Panama is usually self-sufficient. While Colombia and Costa Rica did not experience crop damage in 1997/98, both countries are importing substantially more U.S. rice this year. Similarly, drought in Guyana and Surinam—relatively small exporters—has reduced exports from these two countries.

As a result of the reduced crops in Latin America, U.S. rough rice exports are at a record level—projected at 25 million cwt in 1997/98, double a year earlier. Rough rice will account for almost 30 percent of total U.S. rice exports of 85 million cwt (rough basis)—a record share—and Latin America will import the bulk of it. The region has been a growing market for U.S. rice exports—mostly rough rice—since the beginning of the decade. Rough rice exports are projected at 23 million cwt in 1998/99, barely below this year's record. The major factor driving the strong 1998/99 U.S. rough rice projection is large purchases by Brazil this spring for delivery in 1998/99. The strong pace of rough rice exports has been the major factor supporting U.S. farm prices for rice this year.

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August Releases—USDA's Agricultural Statistics Board

The following reports are issued electronically at 3 p.m. (ET) unless otherwise indicated.

August

- 3 *Egg Products*
Crop Progress (after 4:00 p.m.)
- 4 *Dairy Products*
- 5 *Broiler Hatchery*
Poultry Slaughter
- 7 *Cheddar Cheese Prices*
(8:30 a.m.)
- 10 *Crop Progress (after 4:00 p.m.)*
- 12 *Cotton Ginnings (8:30 a.m.)*
Crop Production (8:30 a.m.)
Broiler Hatchery
- 13 *Turkey Hatchery*
- 14 *Cheddar Cheese Prices*
(8:30 a.m.)
Cattle on Feed
Milk Production
- 17 *Crop Progress (after 4:00 p.m.)*
- 18 *Cranberries (1:00 p.m.)*
Mushrooms
- 19 *Broiler Hatchery*
- 20 *Catfish Processing*
- 21 *Cheddar Cheese Prices*
(8:30 a.m.)
Cold Storage
Farm Labor
Livestock Slaughter
- 24 *Chickens and Eggs*
Crop Progress (after 4 p.m.)
- 25 *Agricultural Cash Rents*
- 26 *Broiler Hatchery*
Turkeys
- 27 *Peanut Stocks & Processing*
- 28 *Cheddar Cheese Prices*
(8:30 a.m.)
Rice Stocks
- 31 *Agricultural Prices*
Crop Progress (after 4:00 p.m.)

Briefs

Specialty Crops

Coffee Prices Coming Down From Highs

Coffee lovers will be drinking more Brazilian varieties this fall. USDA forecasts Brazil's 1998/99 harvest at a near-record 36 million bags, a third of the world's total and 50 percent above the 1997/98 marketing year (July-June). The Brazilian crop in 1997/98, an "off" year, produced only 23.5 million bags (60 kg or 132 pounds each). Brazil's coffee crop typically alternates on and off—a function of the biological competition between fruiting and branch growth. But this year the rise in production is greater than usual.

For the current crop, weather has been excellent for growth and maturity of the cherrylike beans. In addition, coffee trees in Brazil have recovered from the effects of a freeze in 1994, and strong prices in the last couple of years led growers to increase area and improve orchard care.

The current large Brazilian crop is forcing other countries to cut prices. In the U.S. market, price and country of origin are the two main determinants of competitive position. Brazilian coffees have not achieved the cachet enjoyed by Colombian and Central American coffees. But Colombian and Central American producers began cutting prices last spring on

news of Brazil's favorable weather and excellent crop potential. Major U.S. roasters have announced price cuts on their most popular brands.

The lower prices could reverse the U.S. trend toward lower coffee consumption. Total U.S. consumption—averaging 18 million bags or 2.4 billion pounds annually—is down 15 percent from 20 years ago. A factor in the changing tastes of coffee consumers—as well as consumers of wine—is a shift toward higher quality but lower total volume.

Other coffee-producing countries are concerned that Brazil's large crop will cut into their export earnings, which amount to about \$8 billion annually. World supplies of coffee for 1998/99, including carryin stocks, are forecast at 132 million bags, 6 percent above a year earlier. Forecast production from other South and Central American countries, as well as Kenya and the Ivory Coast, are mostly unchanged from 1997/98 levels. Increases in Vietnam will offset decreases in other Asian countries.

Coffee is produced from two types of beans: arabica and the less expensive

robusta. Brazil produces mainly arabicas, and some robustas, while virtually all Colombian and Central American coffees are arabicas. Robustas, which make up 15-20 percent of U.S. imports, go mainly to soluble (instant) coffee or are blended with arabicas.

Coffee importers, looking for bargains, have turned increasingly from Brazil to Asia. Asian coffee prices averaged 75 percent of Brazil's in fiscal 1991, and just 50 percent in 1997. Brazil's share of the U.S. market declined from 28 percent in fiscal 1991 to about 11 percent recently. Asia's share has increased from 8 percent to 19 percent, due largely to increases from Vietnam, while Colombia, Mexico, and Guatemala have together maintained a 40-percent share.

Before roasting, the beans are referred to as green coffee. Most coffee is imported green and then roasted, ground, and packaged for distribution. Increasingly, roasted coffee is sold as whole beans. Per capita consumption of coffee in the U.S. averages about a cup and a half per day of regular coffee, and less than a fifth of a cup of instant.

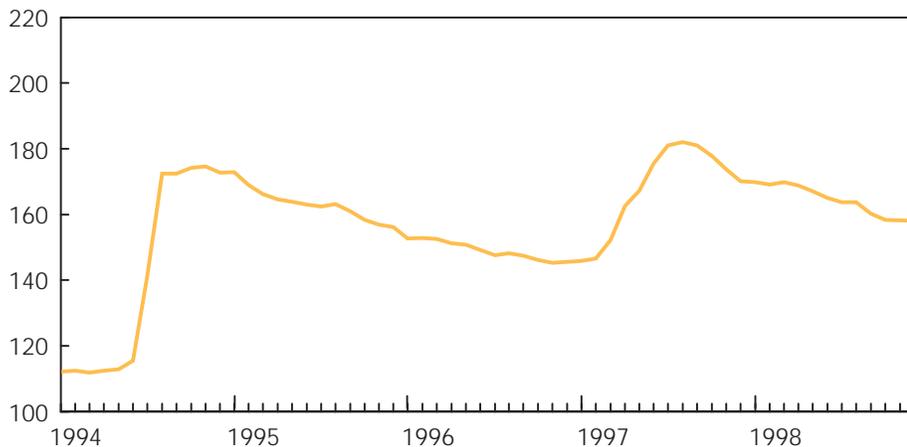
U.S. retail coffee prices have been on a roller coaster ride since the summer of 1994. Swings of 5-10 percent in world supplies and a tendency for roasters to reduce inventories contributed to the wide price fluctuations. According to the Green Coffee Association, U.S. stocks declined from 9.4 million bags at the end of 1992 to 1.4 million bags ending 1997. In 1994 and in early 1998, consumers facing soaring prices cut back on consumption, lowering the demand for imports.

Consumer prices this fall could dip 5-10 percent below last fall. Moreover, in the last couple of years, Brazil's farmers have planted new acreage, with more trees per acre and better fertilizer and pest management. If Brazil produces another bumper crop in 1999/00, prices could drop further and U.S. consumption could expand.

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Retail Coffee Prices Dropping From Levels Reached in 1997

Index (1982-84=100)



June-December 1998 forecasts.
Economic Research Service, USDA